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Federal Communications Commission
Office of the Secretary

Public Service Commission of the District of Columbia
**1333 H Street, N.W., 2nd Floor, West Tower**
**Washington, D.C. 20005**
**(202) 626-5100**
**www.dcpsc.org**

December 9, 2011

***Ex Parte* Letter**
Ms. Sharon Gillett
Chief
Wireline Competition Bureau
Federal Communications Commission
445 Twelfth Street, SW
Washington, D.C. 20554

RE: Assessment of Access Recovery Charges on ILECs Customers (CC Docket Nos. 96-45 & 01-92; GN Docket No. 09-51; WC Docket Nos. 03-109, 05-337, 07-135, & 10-90; & WT Docket No. 10-208)

Dear Ms. Gillett:

During the briefing that you and members of your staff gave to the state members and staff of the Joint Board on Universal Service and the Joint Conference on Advanced Services at the National Association of Regulatory Utility Commissioners Annual Meeting last month, I inquired whether District of Columbia ("District") residents and businesses would be expected to pay for the projected access service revenue reductions that Verizon Communications Inc. ("Verizon") will incur in other states as a result of the Federal Communications Commission ("FCC") Order on Intercarrier Compensation ("ICC") reform[1]. This is an important issue to the Public Service Commission of the District of Columbia ("DC PSC") because Verizon Washington DC, Inc. does not provide intrastate access services and consequently would not incur any revenue loss attributable to the District.

After reviewing the Order, I have concluded that the unfortunate answer is "yes." One result of the FCC's decision to mandate a "bill and keep" ICC arrangement for both interstate and intrastate access services is to allow Verizon to recover revenue reductions from intrastate access services provided in other states from District residents and businesses. This is unfair because Verizon will have suffered no reduced intrastate access revenue in the District. The Order authorizes price cap incumbent

[1] (CC Docket Nos. 96-45 & 01-92; GN Docket No. 09-51; WC Docket Nos. 03-109, 05-337, 07-135, & 10-90; & WT Docket No. 10-208; Adopted: October 27, 2011; Released: November 18, 2011; FCC 11-161; "Order").

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local exchange carriers ("ILECs") "to determine at the holding company level how Eligible Recovery will be allocated among their incumbent LECs' access recovery charges ("ARCs")." (See Para. 910 and new 47 CFR §51.915(e)(3)) Thus, Verizon could "pool" its reduced intrastate access service revenues from its operating companies in California, Connecticut, Delaware, Florida, Maryland, New Jersey, New York, Pennsylvania, Rhode Island, Texas, and Virginia and recover them, in part, through the calculation of the ARC assessed to District residential and business local service customers, despite the fact that no intrastate revenues would have been lost from District services.

Furthermore, the Order authorizes price cap ILECs, where the ARC cannot be added (or increased in the future) to residential customers bills because of the $30 Residential Rate Ceiling, to transfer the unrecovered revenue requirement for that state through ARC increases to its other operating companies' residential and business customers in other states (i.e. If Verizon reaches the $30 Rate Ceiling for residential customers in another operating company's jurisdiction it could shift the unrecovered intrastate access service revenue requirement to justify ARC increases for District residential, small business and multi-line business customers.). (See Para. 910)

I believe that it is inherently unfair, unprecedented by previous FCC decisions, as well as legally unjustified, for the FCC to authorize Verizon and other multi-state price cap ILECs essentially to re-apportion intrastate revenue requirements from one state to another. Accordingly, on behalf of the DC PSC, I request that the FCC amend the Order's directive that the Eligible Recovery calculation for ARCs be performed at the holding company level and, instead direct that the calculation be performed at the operating company's study area level. As you know, this is the methodology the FCC has directed ILECs to use as the basis for calculating the Subscriber Line Charges for over 20 years. I believe that accepting this revision to the Order will bring fairness and equity to the assessment of the ARC on ILECs' residential and business customers.

If you or members of your staff have questions regarding this request, please feel free to contact me on (202) 626-5125 or by email at bakane@psc.dc.gov, or my Policy Advisor, Cary Hinton, on (202) 626-9186 or by email at chinton@psc.dc.gov.

Sincerely,

Betty Ann Kane